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SIPDIS

SENSITIVE
FOR SECRETARY CLINTON FROM AMBASSADOR HUME

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SUBJECT: Washington Issues for Upcoming SecState Visit to Indonesia

¶1. There are three outstanding issues in Washington, which, if positively addressed, will make the Secretary's trip to Indonesia more successful: the Millennium Challenge Corporation, Peace Corps; and, a Science and Technology agreement. Positive news that Washington is moving forward on these topics would deepen the impact of the Secretary's visit and lay the groundwork for a successful visit by President Obama later this year.

MCC COMPACT

¶2. In December 2008, the Millennium Challenge Corporation (MCC) Board conferred "Compact eligibility" status on Indonesia, and planned to initiate Compact development discussions in March 2009. In February, MCC announced that it would postpone Compact discussions in light of "funding uncertainties." Indonesia takes pride in its reform achievements, and may interpret this as a weakening of support from the Obama administration. As chair of the MCC Board, the Secretary should announce a firm date for an MCC team to initiate Compact discussions. Any funding concerns can be addressed during the approximately two years it will take for Indonesia to develop a compact proposal.

PEACE CORPS

¶3. Indonesia is an excellent fit for Peace Corps. Assistant Secretary Hill informed President Yudhoyono in April 2008 that the Peace Corp intended to reopen a program here. The next step is to update Peace Corps' Memorandum of Understanding (MOU) with Indonesia. The Peace Corps, however, has not approved the launch of negotiations because of budgetary concerns. An announcement of the start of MOU discussions would set the stage for signing a completed MOU during a possible Presidential visit later this year and a return of volunteers in 2010.

S&T AGREEMENT

¶4. The Indonesians have a strong interest in engaging with us in science and technology. Our previous Science and Technology (S&T) agreement expired in 2002. We began the process to renew the agreement in September 2008; and we agreed to produce the initial draft. We understand the draft is almost ready. If Secretary Clinton could announce the release of this draft to the Indonesians during her visit, it would advance this issue considerably and signal to the Indonesians our interest to engage on S&T issues. It would also create the opportunity to complete the agreement as a deliverable for a possible future Presidential visit.

¶5. If the Secretary were able to deliver good news on these issues during her upcoming visit, Indonesians would take note. And while there are no confirmed plans for President Obama to visit Indonesia, President Yudhoyono has invited him to visit before or after the November APEC Summit in Singapore. These issues - MCC, Peace Corps and the S&T agreement - will take time to complete. Launching our work on these issues now will be important to securing substantive deliverables in time for such an event.

HUME